

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

SINGLE AUDIT REPORT

For the Year Ended June 30, 2007

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Supervisors
County of San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 2007. We did not audit the financial statements of the San Bernardino County Flood Control District and First Five of San Bernardino County for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the San Bernardino County Flood Control District and First Five of San Bernardino County, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2007-01 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated November 30, 2007.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Supervisors, County management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrek, Tania, Day, Co., LLP

Rancho Cucamonga, California
November 30, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Supervisors
County of San Bernardino, California

Compliance

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Child Development Program, which expended \$35,594,567 in federal awards, which are not included in the schedule during the year ended June 30, 2007. Our audit described below did not include the grant programs of the Child Development Program because the County engaged other auditors to perform such audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as item 2007-03.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-02 through 2007-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards and Supplemental Schedule

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We did not audit the financial statements of the San Bernardino County Flood Control District and First Five of San Bernardino County for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the San Bernardino County Flood Control District and First Five of San Bernardino County, are based on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The Supplemental Schedule of Office of California Department of Aging Grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Award and Supplemental Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, County management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaverick, Tine, Day & Co., LLP

Rancho Cucamonga, California

May 20, 2008, except for the Schedule of Expenditures of
Federal Awards, as to which the
date is November 30, 2007

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Agriculture:			
Pass-Through Programs:			
Child Nutrition Cluster:			
California Department of Education:			
School Breakfast Program	10.553	36-10363-6037469-01	\$ 286,032
National School Lunch Program	10.555	36-10363-6037469-01	443,559
Total Child Nutrition Cluster			<u>729,591</u>
Food Stamps Cluster:			
California Department of Social Services:			
Food Stamps Program	10.551		170,336,832
Food Stamps Administration	10.561		14,883,706
California Department of Health Services:			
Regional Nutrition Network for Healthy Active Families	10.561	19406001347-A7	1,116,557
Nutrition Network	10.561	19406001347-A7	382,295
California Project LEAN	10.561		18,000
Total Food Stamps Cluster			<u>186,737,390</u>
California Department of Education:			
Child and Adult Care Food Program	10.558	3615241J	1,959,312
California Department of Food and Agriculture:			
Inspection, Grading, and Standardization	10.162	04-0573	14,223
California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	02-25704	9,258,560
State Controller:			
Schools and Roads - Cluster	10.665		136,841
Total Pass-Through Programs			<u>11,368,936</u>
Direct Programs:			
Forestry Research Grant	10.652		179,621
Cooperative Agreement for Controlled Substances	10.664		64,293
Infested Bark Beetle Wood Utilization Program	10.672		120,753
Urban and Community Forestry Program [1]	10.675		4,305,319
Emergency Watershed Protection Program (Tree Mortality Project) 2005 [1]	10.904	69-9104-5-244	11,563,232
Emergency Watershed Protection Program (Tree Mortality Project) 2006 [1]	10.904	69-9104-5-244	17,772,403
Emergency Watershed Protection Program (Tree Mortality Project) 2007 [1]	10.904	69-9104-5-244	11,807,186
Total Direct Programs			<u>45,812,807</u>
Total Department of Agriculture			<u>244,648,724</u>
Department of Defense:			
Direct Programs:			
U.S. Army Corp. of Engineers San Timeteo Creek Project-Phase 3B	12.000		548,390
Department of Housing and Urban Development:			
Pass-Through Programs:			
City of Riverside:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		555,460
Lead Hazard Control Grant	14.900		86,368
Direct Programs:			
Lead Hazard Reduction Demonstration Grant	14.905		411,430
Community Development Block Grant	14.218		13,898,763
Disaster Recovery Initiative Grant	14.228		13,145
Emergency Shelter Grant Program	14.231		329,505
HOME Investment Partnerships Program [1]	14.239		3,191,201
Total Department of Housing and Urban Development			<u>18,485,872</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of the Interior:			
Pass -Through Programs:			
Bureau of Land Management:			
Off-Highway Vehicle Grant	15.225		\$ 50,000
Direct Programs:			
U.S. Geological Survey Research and Data Collection	15.808		82,000
Reclamation and Water Reuse Program [1]	15.504		9,372,163
Payment in Lieu of Tax	15.226		1,819,881
Total Department of the Interior			<u>11,324,044</u>
Department of Justice:			
Pass-Through Programs:			
California Office of Criminal Justice and Planning:			
Juvenile Accountability Incentive Grant	16.523	BDC 137-04	79,226
Street Enforcement and Prosecution	16.579	DC04150360	242,827
Univ Research Found. California Office of Traffic Safety/San Diego St			
California Enforcing Underage Drinking Laws - 2006	16.523		12,815
California Enforcing Underage Drinking Laws - 2007	16.523		6,497
California Office of Emergency Services:			
Crime Laboratory Education & Training Program-2004	16.560	CQ03020360	41,203
Elder Abuse Advocacy and Outreach Program	16.575	EA04070360	137,695
Special Emphasis Victim Witness Assistance Program	16.575	SE04140360	105,890
Victim Witness Assistance Program	16.575	VW04230360	448,499
Street Enforcement and Prosecution	16.579	DC04150360	531,502
County Superior Court			
Marijuana Suppression Program	16.738		118,641
County of Riverside:			
High Intensity Drug Trafficking Area	16.15PLAP540Z	15PLAP540Z	755,933
U.S. National Institute of Justice:			
2004 DNA Capacity Enhancement Program	16.560		15,436
2004 Forensic DNA Backlog Reduction Program	16.560		64,119
2005-2006 DNA Capacity Enhancement Program	16.560		177,669
2006 DNA Capacity Enhanced Program	16.741		1,474
Forensic Casework Backlog Reduction Program	16.743		60,637
Community Oriented Policing Services Office (COPS)			
Technology Grant	16.710		615,348
Secure our Schools	16.710		4,660
Gang Resistance Education and Training Program (GREAT)	16.737		102,957
Drug Enforcement Program:			
Cannabis Eradication Suppression Program	16.738		46,394
Federal Bureau of Investigation:			
FBI-Gang Impact Team (GIT)	281D-LA-243251		32,574
Total Pass-Through Programs			<u>3,601,996</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Continued - Department of Justice:			
Direct Programs:			
Southwest Border Prosecution Initiative	16.SBP		\$ 19,216
Asset Forfeitures	16. CA0360075		480,017
High Intensity Drug Trafficking Area	16.15PLAP530Z		723,790
IMPACT	16.541		369,212
2003 Congressional Earmark Funds	16.580		194,015
2005 Congressionally Mandated Award	16.580		493,311
2005 Justice Assistance Grant	16.592		25,108
2006 Justice Assistance Grant	16.592		574,757
Local Law Enforcement Block Grant - 2004	16.592		2,014
Community Oriented Policing Services Tech. (COPS)	16.592		71,651
Home Run Program (COPS MORE)	16.710		772,944
U.S. Marshal Service:			
Regional Fugitive Task Force	16.FATF-0044		112,351
Total Direct Programs			3,838,386
Total Department of Justice			7,440,382
Department of Labor:			
Pass-Through Programs:			
Workforce Investment Act Cluster			
Goodwill Southern California			
Round Youth Program	17.259		80,809
Total Goodwill Southern California			80,809
California Employment Development Department			
Workforce Investment Act - Adult	17.258	R588747	4,552,899
Workforce Investment Act - Youth	17.259	R588747	3,177,489
Workforce Investment Act - Dislocated Workers	17.260	R588747	3,398,700
Total Workforce Investment Act Cluster [1]			11,129,088
California Department on Aging:			
Senior Community Service Employment Program - Title V	17.235	TV-0405-20	297,492
California Employment Development Department:			
Workforce Investment Act-Partnership for Pediatric Acute Care	17.261		71,000
Workforce Investment Act - Incentive Grants	17.266	R588747	156,020
National Council on Aging:			
Senior Community Service Employment Program - Title V	17.235	ANPPM-02-SNB	578,664
Total Department of Labor			12,313,073
Department of Transportation:			
Pass-Through Programs:			
California Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction Grant	20.205	85954	16,234,163
Federal TEA (Transportation Enhancement Activities)	20.205		222,705
Federal TEA (Transportation Enhancement Activities)	20.205		34,647
Total Highway Planning and Construction Cluster [1]			16,491,515
California Office of Traffic Safety:			
Education on Driving Under the Influence and Occupant Restraints	20.600		116,352
Underage Drinking and Driving Prevention Program (2005/2006)	20.600	AL0655	109,325
Office of Traffic and Safety	20.600		247,265
Traffic Safety for Young Adults and Children (OP0711)	20.600		56,732
Sub-Total			529,674

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Continued - Department of Transportation:			
Direct Programs:			
Airport Improvement Program	20.106		\$ 6,796,653
Total Department of Transportation			<u>23,817,842</u>
General Service Administration:			
Pass-Through Programs:			
Secretary of State			
HAVA (Help America Vote Act) Section 301	90.401		2,337,200
Total General Service Administration			<u>2,337,200</u>
Environmental Protection Agency:			
Pass-Through Programs:			
State Water Resources Control Board:			
State Underground Storage Tanks Program	66.805	04-038-250-0	357,690
Total Environmental Protection Agency			<u>357,690</u>
Department of Education:			
Pass-Through Programs:			
California Department of Alcohol and Drug Program:			
Safe and Drug-Free Schools	84.186	SDF-0311	136,627
County Office of Education			
Federal Individuals with Disabilities Education (IDEA)	84.027A		1,180,486
Total Department of Education			<u>1,317,113</u>
Department of Health and Human Services:			
Pass-Through Programs:			
Medicaid Cluster:			
California Department of Health Services:			
Medi-Cal Assistance Program (HSS)	93.778		40,419,028
Medical Administrative Activities-PHL (MAA)	93.778		3,396,689
Targeted Case Management (TCM)	93.778		279,406
Teen SMART Outreach Program	93.778		53,435
California Department on Aging:			
Medi-Cal Assistance Program	93.778	MS-0405-17	689,748
California Department of Social Services:			
In-Home Support Services-Public Authority	93.778		2,124,374
Information and Education	93.778		78,361
Male Involvement Program	93.778		88,360
California Department of Alcohol and Drug Program:			
Medi-Cal Assistance Program	93.778	NNA36	1,790,791
Total Medicaid Cluster			<u>48,920,192</u>
Aging Cluster:			
California Department on Aging:			
Special Programs for the Aging - Title VII-B	93.041	AP-0607-20	58,021
Special Programs for the Aging - Title VII-A	93.042	AP-0607-20	117,669
Special Programs for the Aging - Disease Prevention and Health Promotion	93.043	AP-0607-20	46,223
Special Programs for the Aging - Title III, Part B	93.044	AP-0607-20	1,559,660
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	AP-0607-20	2,414,627
Family Caregiver	93.052	AP-0607-20	673,039
Nutrition Program for the Elderly	93.053	AP-0607-20	534,452
Total Aging Cluster			<u>5,403,691</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Continued - Department of Health and Human Services:			
California Emergency Medical Services Authority: U.S. HRSA's National Bio-terrorism Hospital Prep Program	93.003		\$ 599,457
California Department of Alcohol and Drug Program: Substance Abuse Prevention and Treatment Block Grant	93.959	NNA36	12,259,683
California Department of Health Services: Project Grants for Tuberculosis Control	93.116		141,170
Acquired Immunodeficiency Syndrome	93.118	04-35374	207,752
Immunization Subvention Grant	93.268	68-0317191	359,789
Immunization Registry	93.268		262,421
Public Health Preparedness and Response to Bio-terrorism	93.283	94-6001347	2,242,716
Cities Readiness Initiative	93.283		131,351
Pandemic Influenza	93.283		168,756
HIV Care Formula Grant - Title II	93.917	03-75924	785,194
California Infertility Prevention Project	93.977		78,441
Maternal and Child Health Services Block Grant (AFLP)	93.994		937,484
Maternal and Child Health Services Block Grant (MCAH)	93.994	200336	910,819
Total California Department of Health Services			6,225,893
California Department of Mental Health: Projects for Assistance in Transition from Homelessness	93.150		390,495
Mental Health Services Block Grant	93.958		3,105,598
Total California Department of Mental Health			3,496,093
California Department of Social Services: Family Preservation and Support Services	93.556		2,398,148
Temporary Assistance to Needy Families [1]	93.558		189,062,791
Community Challenge Grant	93.558		142,876
Child Support Enforcement	93.563	AD-2005-CAC-XX3	26,229,121
Refugee and Entrant Assistance	93.566		3,376
Refugee and Entrant Assistance - Admin	93.566		956
Child Welfare Services - State Grants	93.645		1,991,048
Adoption Assistance	93.659		13,169,625
Adoption Assistance - Admin	93.659		1,953,619
Social Service Block Grant - Title XX	93.667		473,450
Independent Living Skills	93.674		1,256,947
Foster Care - Title IV - E - TAD	93.658		53,744,567
Foster Care - Title IV - E - PRB	93.658		14,636,572
Total California Department of Social Services			305,063,096
California Department on Aging: Health Insurance Counseling and Advocacy Program (HICAP)	93.779		87,467
California Family Health Council: Family Planning Service - Title X	93.217		639,197
Total California Family Health Council			639,197
Secretary of State: HAVA (Help America Vote Act) EAID (Title II, Section 261)	93.617		137,171
Total Pass-Through Programs			382,831,940
Health Resources and Services Administration: Health Center Cluster	93.224		291,577
National Bioterrorism Hospital Preparedness Program-YR 4	93.889		725,452
National Bioterrorism Hospital Preparedness Program-YR 5	93.889		17,764
Total Health Resources and Services Administration			1,034,793

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Continued - Department of Health and Human Services:			
Direct Programs:			
Head Start Program	93.600		\$ 31,688,226
HIV Cluster - HIV Emergency Relief Formula Grant Title I	93.914		7,742,671
Grants to Provide Outpatient Services for HIV Disease - Title III	93.918		484,520
Total Direct Programs			39,915,417
Total Department of Health and Human Services			423,782,150
Department of Homeland Security:			
Pass-Through Programs:			
California Office of Emergency Services:			
State Homeland Security Grant Cluster			
FY 2006 State Homeland Security Grant Program	97.067		1,742,231
FY 2005 State Homeland Security Grant Program	97.067		3,032,374
FY 2004 State Homeland Security Grant Program	97.067	2003-35-071	941,598
FY 2003 State Homeland Security Grant Program Part I	97.067	2003-167-071	252,805
FY 2003 State Homeland Security Grant Program Part II	97.067	2003-35-071	63,008
Emergency Management Performance Grant (EMPG)	97.042		269,249
Total State Homeland Security Cluster			6,301,265
FEMA - Disaster Assistance-Transportation	97.036		1,237,178
FEMA - Public Assistance Grants	97.036	FEMA -1498	-
FEMA - Public Assistance Grants	97.036	FEMA-1577	394,015
FEMA - Public Assistance Grants	97.036	FEMA-1585	105,395
FY 2005 Buffer Zone Protection Program	97.078		614,204
FY 2005 Assistance to Firefighters Grant	97.044		331,825
FY 2006 Assistance to Firefighters Grant Program	97.044		738,769
Fire Assistance Management Grants (2653)	97.046		408,946
Total Department of Homeland Security			10,131,597
Total Expenditures of Federal Awards			\$ 756,504,077

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Child Development Department, which were audited by other auditors engaged by the County. The aforementioned program is included in the County's financial statements; however, excluded from the Schedule of Expenditures of Federal Awards. A separate single audit report is issued for the Child Development Department. Federal awards received directly from federal agencies, as well as, federal awards, passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in Note 1 to the County's financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 2 to the County's basic financial statements.

C. Relationship to Basic Financial Statements

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements.

Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

E. Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County has determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

NOTE # 2 - OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2007

At June 30, 2007, outstanding loans under the United States Department of the Interior, Bureau of Reclamation - Reclamation and Water Reuse Program and United States Department of Agriculture are \$6,000,000 and \$2,096,000 respectively.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

NOTE # 3 - AMOUNT PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Award Expenditures
Child and Adult Care Food Program	10.558	216,580
Food Stamps Administration	10.561	230,579
Regional Nutrition Network for Healthy Active Families	10.561	348,277
Community Development Block Grant	14.218	5,084,288
Emergency Shelter Grant Program	14.231	313,069
HOME Investment Partnerships Program	14.239	1,448,968
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	514,835
Lead Hazard Control Grant	14.900	15,658
Lead Hazard Reduction Demonstration Grant	14.905	322,832
US Geological Survey Research and Data Collection	15.808	82,000
Juvenile Accountability Incentive	16.523	79,226
Developing, Testing & Demonstrating Promising New Programs (IMPACT)	16.541	145,688
Street Enforcement and Prosecution	16.579	68,359
Asset Forfeitures	16.CA0360075	148,692
High Intensity Drug Trafficking Area	16.15PLAP530Z	59,439
High Intensity Drug Trafficking Area-County of Riverside	16.15PLAP540Z	33,356

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

NOTE # 3 - AMOUNT PROVIDED TO SUBRECIPIENTS, continued

Program Title	Federal CFDA Number	Federal Award Expenditures
Workforce Investment Act - Youth	17.259	1,754,052
Federal Individual with Disabilities Education (IDEA)	84.027A	722,196
National Bioterrorism Hospital Preparedness Program	93.003	177,766
Supportive Services Program, Title III, Part B	93.044	325,197
Nutrition Programs, Title III, Part C1 & C2	93.045	2,179,950
Family Caregiver	93.052	274,413
Nutrition Program for the Elderly(Nutrition Services Incentive Program)	93.053	529,571
Immunization Subvention Grant	93.268	46,535
Family Preservation and Support Services	93.556	1,968,593
Community Challenge Grant	93.558	49,896
Temporary Assistance for Needy Families (HSS)	93.558	1,286,793
Head Start	93.600	2,702,806
Independent Living Skills	93.674	913,274
Medical Administrative Activities - PHL (MAA)	93.778	1,977,957
Medical Assistance Program (Alcohol)	93.778	1,678,988
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	85,441
National Bioterrorism Hospital Preparedness Program - YR 4	93.889	344,124
HIV Emergency Relief Formula Grant-Title I	93.914	6,953,542
HIV Care Formula Grant-Title II	93.917	471,726
Mental Health Services Block Grant	93.958	1,773,442
Substance Abuse Prevention and Treatment Block Grant	93.959	7,991,114
Maternal and Child Health Services Block Grant (MCAH)	93.994	36,325
Emergency Management Performance Grant (EMPG)	97.042	237,509
FY 2003 State Homeland Security Grant Program Part I	97.067	39,156
FY 2004 State Homeland Security Grant	97.067	208,147
FY 2005 State Homeland Security Grant	97.067	1,194,795
FY 2006 State Homeland Security Grant	97.067	581,462
FY 2005 Buffer Zone Protection Program	97.078	243,088
Total Subrecipients Expenditures		45,859,702

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

I. Summary Of Auditors' Results

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.675</u>	<u>Urban and Community Forestry Program</u>
	<u>Emergency Watershed Protection Program</u>
<u>10.904</u>	<u>(Tree Mortality Project)</u>
<u>14.239</u>	<u>HOME Investment Partnerships Program</u>
<u>15.504</u>	<u>Reclamation and Water Reuse Program</u>
<u>17.258, 17.259, 17.260</u>	<u>Workforce Investment Act Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

II. Financial Statement Findings

The following findings represent significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards:

Finding 2007-01 - Restatement of Prior Year Financial Statements

Criteria:

Financial statements prepared in accordance with generally accepted accounting principles in the United States of America should report assets, liabilities, revenues and expenses of the entity in the period the underlying transaction occurs or accrues to the entity.

Condition:

During the current year, the County determined that a transfer of realignment funding from the County of San Bernardino General Fund to the Medical Center to fund the 6th Floor Project totaling \$30,000,000 was incorrectly recorded to the County of San Bernardino's Capital Projects Fund instead of being recorded as realignment revenue in the Medical Center's Statement of Revenues and Changes in Net Assets as of June 30, 2006.

It is noted the County's Administrative Office prepared and approved the transfer of funds document. However, it is further noted the Auditor-Controllers Office's existing internal controls designed to review and approve transfers requests prior to recording in FAS did not detect the fund coding error, resulting in the misstatement.

Context:

The Medical Center's net assets were understated by \$30 million at June 30, 2006.

Effect:

To correct this error, cash and cash equivalent and realignment revenue reported as of June 30, 2006 have been restated and the beginning net assets of the Medical Center's net assets (liabilities) balance of \$(9,425), as originally reported, has been increased to \$20,575.

Recommendation:

We commend the County for implementing stronger internal controls to ensure transfer requests are properly recorded. The Auditor/Controller-Recorder office established a dollar threshold that requires additional review and approval before recording the transaction. We recommend that the County consider establishing a dollar threshold that would require manager approval both within the originating department and the destination department.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

II. Financial Statement Findings, Continued

View of responsible officials:

The County concurs and implemented new preventive controls on July 5, 2007 at the Auditor/Controller-Recorder's office. The control requires either the General Accounting Manager or Supervisor's review, approval, and sign-off of all journal entries or transfers equal to or greater than \$1,000,000 dollars. For amounts equal to or greater than \$10,000,000, the signature of the Chief Deputy Controller, equivalent or higher is required.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

III. Federal Awards Findings and Questioned Costs

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2007-02

Program: Temporary Assistance for Needy Families

CFDA No.: 93.956

Federal Agency: Department of Health and Human Services

Passed-Through: California Departments of Social Services

Award Year: 2006/2007

Compliance Requirement: Allowable Costs

Questioned Costs: Unknown

Criteria:

OMB Circular A-133, Sub-part C, Section 300, Part b, states that the auditee is responsible for "Maintaining internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Internal control means a process, developed by the entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Reliability of financial reporting; (2) Compliance with applicable laws and regulations; and (3) Effectiveness and efficiency of operations.

The fiscal year 2007 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

Condition Found:

Significant Deficiency - The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 40 employee time study transactions selected from the quarterly time study reports for test work, we noted 9 transactions whereby the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. We noted instances where the employee's total allocable and nonallocable hours per the time study summary report did not agree to the TLR.

Context:

The amount of the discrepancy is currently not known. However, the effect of this control weakness is mitigated by the documented review of the CEC for fluctuations in excess of 15%.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

III. Federal Awards Findings and Questioned Costs, Continued

Cause:

The appropriate level of monitoring was not administered by the department, sufficient to prevent, detect and correct the discrepancies between the time reported for the CEC and the time card prepared by the County employees.

Effect:

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various federal programs in the CEC, which are derived from the data in the time study summary reports, are inaccurate.

Recommendation:

The County has implemented a formal monitoring plan, including sampling time studies throughout the year. We recommend that the County review the current preparation process for the quarterly time summary reports and implement stronger reconciliation and management review procedures of the time card and the time study reports in order to ensure the accuracy of the time study summary reports. This preventive control will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

Views of Responsible Officials and Corrective Action:

See separate corrective action plan

Finding 2007-03

Program: HOME Investment Partnership Program

CFDA No.: 14.239

Federal Agency: Department of Housing and Urban Development

Award Year: 2006/2007

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The *March 2007 OMB Circular A-133 Compliance Supplement* requires a pass-through entity to be responsible for:

- *During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Ensuring the subrecipient's are claiming expenditures in a timely basis.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

III. Federal Awards Findings and Questioned Costs, Continued

Condition:

Significant Deficiency, Instance of Non-Compliance - As a result of our audit during FY 2006-2007, we noted the following based on our testing performed over subrecipient monitoring:

- The subrecipient agreement with the Housing Authority did not identify the Federal award information including the CFDA number.
- Due to the volume of expenditures, the department did not require the subrecipient to provide supporting documentation with its monthly reimbursement request to aid in substantiating federal expenditures. Consequently, the department did not perform an annual site audit to review of subrecipient's financial records as part of its annual program monitoring procedures to ensure compliance with allowable costs principles.
- Due to the lack of adequate staffing at the subrecipient location during FY 2006/2007, the subrecipient was required to delay its submittal of reimbursement requests to the County. The County provided the necessary staffing resources to assist the subrecipient with its reimbursement procedures.
- The County does not have official written policies and procedures establishing:
 - Communication of Federal award requirements to subrecipients.
 - Responsibilities for monitoring subrecipients.
 - Process and procedures for monitoring.
 - Methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control.
 - Requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity's accounts.

Context:

Through inquiry and testwork of specific requirements related to subrecipient monitoring, it was noted that the Home Program's only subrecipient was not appropriately being monitored in 2006/2007. The County's current monitoring procedures include reviewing invoices submitted by the subrecipient and recalculating benefits amounts paid to eligible recipients under the Tenant-Based Rental Assistance program administered by the subrecipient. However, the County's current procedures did not include conducting on-site visits to inspect eligibility files and supporting documentation. We noted at the time of our fieldwork, on-site monitoring procedures were not conducted by the County. However, during the course of our audit of the HOME program, the County subsequently conducted the annual review of the sub-recipient and issued a monitoring report that contained one finding.

Cause:

The appropriate level of monitoring was not administered by the department, sufficient to detect noncompliance with Federal requirements over subrecipient monitoring.

Effect:

Without conducting timely fiscal and compliance monitoring visits, the risk of unallowable cost/activities or inflated expense reporting exists.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

III. Federal Awards Findings and Questioned Costs, Continued

Recommendation:

This is a repeat condition that was reported in connection with the audit of the County's federal awards for the year ended June 30, 2005. We noted the department conducted the annual review during February 2008.

We recommend that the County implement stronger internal controls, to ensure subrecipients are monitored on a timely basis and appropriate corrective action on all audit findings are performed. In addition, official written policies and procedures establishing during the award monitoring requirements should be adopted.

Views of Responsible Officials and Corrective Action:

See separate corrective action plan

Finding 2007-04

Program: Workforce Investment Act Cluster

CFDA No.: 17.258, 17.259, 17.260

Passed-through: California Employment Development Department

Award Year: 2006/2007

Compliance Requirement: Eligibility

Questioned Costs: None

Criteria:

OMB Circular A-133, Sub-part C, Section 300, Part b, states that the auditee is responsible for "Maintaining internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Internal control means a process, developed by the entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Reliability of financial reporting; (2) Compliance with applicable laws and regulations; and (3) Effectiveness and efficiency of operations. The county's policies and procedure over eligibility require that all Employment Specialist review each application, document their review by signature, and have a second review performed by a supervisor with 30 days of granting assistance to determine if the applicant is eligible for the WIA program.

Condition:

Significant Deficiency - During our review of 40 case files, we noted 1 case file where the application for assistance was not signed by the Employment Specialist and 5 case files were not reviewed with the 30 day requirement as stated in the County's policies and procedures.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

JUNE 30, 2007

III. Federal Awards Findings and Questioned Costs, Continued

Cause:

The appropriate level of monitoring was not administered by the department, sufficient to prevent and detect noncompliance with Federal requirements.

Effect:

As a result of this control deficiency, the County may not be detecting noncompliance with eligibility compliance requirements on a timely basis.

Recommendation:

Although the County has a formal review procedure in place, we recommend that the County review the current procedures and implement stronger controls to ensure case file review are conducted with the 30 day period as stated in current policy.

Views of Responsible Officials and Corrective Action:

See separate corrective action plan

COUNTY OF SAN BERNARDINO, CALIFORNIA**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS****JUNE 30, 2007**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2006-1	Child Support Enforcement	93.563	Eligibility/Special Tests & Provisions	Implemented
2006-2	Medicaid Cluster	93.778	Eligibility	Implemented
2006-3, 2006-4	HIV Emergency Relief Formula Grant – Title 1	93.914	Subrecipient Monitoring, Cash Management, and Period of Availability	Implemented
2006-5	State Homeland Security Grant Program	97.067	Allowable/Unallowable Costs	Implemented

COUNTY OF SAN BERNARDINO, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS

JUNE 30, 2007

Grantor/Program Name	CFDA No.	Contract Number	Federal Expenditures	State Expenditures
California Department of Aging:				
Senior Community Service Employment Program Title V (NAHE)	17.235	06-1015	\$ 578,664	-
Senior Community Service Employment Program Title V (CDA)	17.235	TV 0607-20	297,492	\$ 92,534
Elder Abuse Program – Title VII-B	93.041	AP 0607-20	58,021	1,040
Ombudsman Program – Title VII-A	93.042	AP 0607-20	117,669	9,276
Disease Prevention and Health Promotion Services	93.043	AP 0607-20	46,223	4,140
Supportive Services Program, Title III, Part B	93.044	AP 0607-20	1,559,660	168,650
Nutrition Program, Title III, Part C1 & C2	93.045	AP 0607-20	2,414,627	117,027
Family Caregiver	93.052	AP 0607-20	673,039	-
Nutrition Program for the Elderly (Nutrition Services Incentive Program)	93.053	AP 0607-20	534,452	-
Medical Assistance Program (MSSP) Title XIX	93.778	MS-0607-17	689,748	717,901
In-Home Support Services-Public Authority	93.778		2,124,374	1,758,207
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-0607-20	87,467	236,889
Community Based Supportive Services	N/A	AP 0607-20	-	480,205
Ombudsman Volunteer Recruitment Initiative	N/A	AP 0607-20	-	57,290
Totals			<u>\$ 9,181,436</u>	<u>\$ 3,643,159</u>